

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 FEA-02 INT-08 SCI-06 AID-20

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01

CEA-02 STR-08 FPC-01 DODE-00 PM-07 H-03 L-03 NSC-10

PA-04 PRS-01 SS-20 USIA-15 NEA-11 DRC-01 /204 W

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R 252048Z JAN 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 2570

UNCLAS OTTAWA 0233

POUCHED FOR INFO ALL CONSULATES IN CANADA

E.O. 11652: N/A

TAGS: ENRG EFIN CA

SUBJECT: ENERGY: FEDERAL-PROVINCIAL ENERGY CONFERENCE: SUGGESTED
DISTRIBUTION OF OIL PRODUCTION REVENUES AT ALTERNATIVE PRICES

REF: OTTAWA 0216

1. IN CONNECTION WITH OIL POLICY PRINCIPLES PUT FORTH BY
ENERGY MINISTER MACDONALD ON JANUARY 22 AT FEDERAL-PROVINCIAL
ENERGY CONFERENCE (SEE REFTEL), A SUBSEQUENT PAPER WAS
CIRCULATED BY MACDONALD PRESENTING ALTERNATIVE WAYS OF
DESCRIBING A DISTRIBUTION OF REVENUE FLOWS ON CRUDE OIL
PRODUCTION. THE NUMBERS ARE APPROXIMATE AND ASSUME 730 MILLION
BARRELS OF ANNUAL DOMESTIC PRODUCTION, 365 MILLION BARRELS OF
EXPORTS, AND 365 MILLION BARRELS OF IMPORTS. TABLE IN PARA.

2 SHOWS HYPOTHETICAL ANNUAL FLOWS OF REVENUE WHICH WOULD
ARISE IN MOVEMENT OF PRICE FROM CURRENT FROZEN PRICE (ASSUMED
TO BE \$4 PER BARREL) TO ALTERNATIVE HIGHER PRICES. TABLE IN
PARA. 3 DISPLAYS SAME INFORMATION AS SHARES OF PRICE INCREMENT
AND TABLE IN PARA. 4 SHOWS PERCENTAGE DISTRIBUTION WHICH

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WOULD BE APPLICABLE TO BOTH ANNUAL FLOW AND INCREMENT

TABLES IN PARAS. 2 AND 3.

2. DISTRIBUTION OF REVENUE FLOWS FOR ALTERNATIVE PRICE

INCREASES:

(A) WELL-HEAD PRICE \$6.00 BBL \$7.00 BBL \$8.00 BBL.

(B) TOTAL AVAILABLE

INCLUDING EXPORT

TAX REVENUES \$3,000 M. \$3,365 M. \$3,730 M.

(C) CUSHION TO EASTERN

CONSUMERS TO ACHIEVE

ONE PRICE \$1,460 M. \$1,095 M. \$730 M.

(D) INDUSTRY SHARE \$500 M. \$700 M. \$800 M.

(E) DIRECT SHARE TO

OIL-PRODUCING

PROVINCE GOVERN-

MENTS \$840 M. \$1,130 M. \$1,400 M.

(OIL AND GAS

CAPITAL) (\$640 M.) (\$500 M.) (\$500 M.)

(DEVELOPMENT

CAPITAL) (\$200 M.) (\$200 M.) (\$300 M.)

(GENERAL REVENUE) (-) (\$430 M.) (\$600 M.)

(F) FEDERAL GOVERNMENT

SHARE \$200 M. \$300 M. \$600 M.

(ENERGY CAPITAL) (\$100 M.) (\$200 M.) (\$300 M.)

(PRAIRIE DEVELOP-

MENT CAPITAL) (\$100 M.) (\$100 M.) (\$300 M.)

(G) EQUALIZATION

PAYMENTS - \$140 M. \$200 M.

3. DISTRIBUTION OF REVENUE FLOWS BY INCREMENT (IN DOLLARS

PER BARREL OF DOMESTIC PRODUCTION):

(A) PRICE INCREASE \$2.00 BBL \$3.00 BBL \$4.00 BBL

(B) TOTAL AVAILABLE/BBL

INCLUDING EXPORT

TAX REVENUES \$4.10 \$4.60 \$5.10

(C) CUSHION TO EASTERN

CONSUMERS TO

ACHIEVE ONE PRICE \$2.00 \$1.50 \$1.00

(D) INDUSTRY SHARE .68 .96 \$1.10

(E) DIRECT SHARE TO OIL-

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PRODUCING PROVINCE

GOVERNMENTS \$1.14 \$1.54 \$1.91

(OIL AND GAS

CAPITAL) (.87) (.68) (.68)

(DEVELOPMENT

CAPITAL) (.27) (.27) (.41)

(GENERAL REVENUE) (-) (.59) (.82)

(F) FEDERAL GOVERNMENT

SHARE	.28	.41	.82
(ENERGY CAPITAL)	(.14)	(.27)	(.41)
(PRAIRIE DEVELOPMENT			
CAPITAL)	(.14)	(.14)	(.41)
(G) EQUALIZATION			
PAYMENTS	-	.19	.27

4. PERCENTAGE DISTRIBUTION APPLICABLE TO BOTH TABLES ABOVE:

(A) CUSHION TO EASTERN

CONSUMERS	48.8	32.6	19.6
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(B) INDUSTRY	16.6	20.9	21.6
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(C) OIL-PRODUCING

PROVINCES	28.0	33.5	37.5
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(D) FEDERAL GOVERNMENT	6.6	8.9	16.0
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(E) EQUALIZATION	-	4.1	5.3
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5. COMMENT: WHILE ABOVE DISTRIBUTION SCHEME HAS NO PARTICULAR STANDING AND WAS NOT IN ANY WAY FORMALLY AGREED TO AT THE CONFERENCE, IT IS SUBMITTED AS ILLUSTRATIVE OF GOC THINKING ON THIS MATTER.

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Message Attributes

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Copy: SINGLE
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Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
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Disposition Comment:
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Disposition Remarks:
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